



# Ezion Holdings Limited

(Company No.: 199904364E)

## Second Quarter Financial Statement And Dividend Announcement For The Six Months Ended 30 June 2014

### PART1- INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (Second Quarter)		Incr/ (Decr) %	Group (Year-To-Date)		Incr/ (Decr) %
	3 months ended 30.06.2014	30.06.2013		6 months ended 30.06.2014	30.06.2013	
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	92,635	67,227	37.8	187,069	122,027	53.3
Cost of sales and servicing	(45,258)	(36,132)	25.3	(92,404)	(66,329)	39.3
<b>Gross profit</b>	<b>47,377</b>	<b>31,095</b>	<b>52.4</b>	<b>94,665</b>	<b>55,698</b>	<b>70.0</b>
Other income, net	1,003	3,035	(67.0)	3,333	24,558	(86.4)
Administrative expenses	(4,254)	(4,258)	(0.1)	(8,400)	(7,915)	6.1
Other operating expenses	(2,078)	(495)	319.8	(4,568)	(1,306)	249.8
<b>Results from operating activities</b>	<b>42,048</b>	<b>29,377</b>	<b>43.1</b>	<b>85,030</b>	<b>71,035</b>	<b>19.7</b>
Finance income	1,626	1,400	16.1	3,172	2,349	35.0
Finance costs	(5,431)	(3,140)	73.0	(10,550)	(6,376)	65.5
<b>Net finance costs</b>	<b>(3,805)</b>	<b>(1,740)</b>	<b>118.7</b>	<b>(7,378)</b>	<b>(4,027)</b>	<b>83.2</b>
Share of results of associates and jointly controlled entities (net of tax)	7,946	9,079	(12.5)	14,173	16,762	(15.4)
<b>Profit before income tax</b>	<b>46,189</b>	<b>36,716</b>	<b>25.8</b>	<b>91,825</b>	<b>83,770</b>	<b>9.6</b>
Income tax expense	(800)	(473)	69.1	(1,229)	(1,375)	(10.6)
<b>Profit after income tax</b>	<b>45,389</b>	<b>36,243</b>	<b>25.2</b>	<b>90,596</b>	<b>82,395</b>	<b>10.0</b>
Non-controlling interest	90	-	N/M	128	-	N/M
<b>Profit for the period</b>	<b>45,479</b>	<b>36,243</b>	<b>25.5</b>	<b>90,724</b>	<b>82,395</b>	<b>10.1</b>

Profit for the period is arrived at after crediting/(charging) the following items:-

	Group (Second Quarter)		Incr/ (Decr) %	Group (Year-To-Date)		Incr/ (Decr) %
	3 months ended 30.06.2014	30.06.2013		6 months ended 30.06.2014	30.06.2013	
	US\$'000	US\$'000		US\$'000	US\$'000	
Other income including interest income, net	2,629	4,435	(40.7)	6,505	26,907	(75.8)
Interest on borrowings	(5,431)	(3,140)	73.0	(10,550)	(6,376)	65.5
Depreciation of plant and equipment	(24,417)	(10,348)	136.0	(47,203)	(16,725)	182.2
Reversal of impairment loss on trade receivables	7	436	(98.4)	14	1,037	(98.6)
Foreign exchange (loss)/gain, net	(1,219)	(125)	N/M	(2,184)	1,287	N/M
Adjustment for overprovision of tax in respect of prior year	-	-	-	(25)	(11)	127.3
Gain on disposal of joint venture, assets held for sale, subsidiary and plant and equipment	-	(27)	N/M	-	17,738	N/M

N/M - not meaningful

See note 8 for more explanation on the income statement review

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.06.2014 US\$'000	31.12.2013 US\$'000	30.06.2014 US\$'000	31.12.2013 US\$'000
<b>Non-current assets</b>				
Plant and equipment	1,820,045	1,463,967	620	688
Subsidiaries	-	-	945,167	742,353
Joint ventures	133,321	188,149	56,422	71,483
Associates	13,879	6,127	10,627	6,220
Other assets	21,875	5,173	11,404	143
	<b>1,989,120</b>	<b>1,663,416</b>	<b>1,024,240</b>	<b>820,887</b>
<b>Current assets</b>				
Trade receivables	159,845	107,142	6,485	5,297
Other current assets	119,060	106,542	21,010	19,456
Cash and cash equivalents	352,528	165,978	282,981	119,162
	<b>631,433</b>	<b>379,662</b>	<b>310,476</b>	<b>143,915</b>
<b>Total assets</b>	<b>2,620,553</b>	<b>2,043,078</b>	<b>1,334,716</b>	<b>964,802</b>
<b>Equity</b>				
Share capital	535,621	345,537	535,621	345,537
Perpetual securities	97,678	97,678	97,678	97,678
Redeemable exchangeable preference shares	23,464	23,464	-	-
Reserves	(10,923)	(13,273)	(108)	(108)
Retained earnings	433,902	346,936	99,475	94,521
<b>Equity attributable to owners of the Company</b>	<b>1,079,742</b>	<b>800,342</b>	<b>732,666</b>	<b>537,628</b>
Non-controlling interests	(191)	(94)	-	-
<b>Total equity</b>	<b>1,079,551</b>	<b>800,248</b>	<b>732,666</b>	<b>537,628</b>
<b>Non-current liabilities</b>				
Financial liabilities	779,481	652,030	87,173	88,522
Notes payable	333,357	210,786	333,357	210,786
Other payables	17,431	3,670	20,726	16,736
	<b>1,130,269</b>	<b>866,486</b>	<b>441,256</b>	<b>316,044</b>
<b>Current liabilities</b>				
Trade payables	55,924	69,104	264	252
Other payables	48,746	77,358	91,443	42,386
Financial liabilities	298,680	223,089	64,858	64,688
Provision for taxation	7,383	6,793	4,229	3,804
	<b>410,733</b>	<b>376,344</b>	<b>160,794</b>	<b>111,130</b>
<b>Total liabilities</b>	<b>1,541,002</b>	<b>1,242,830</b>	<b>602,050</b>	<b>427,174</b>
<b>Total equity and liabilities</b>	<b>2,620,553</b>	<b>2,043,078</b>	<b>1,334,716</b>	<b>964,802</b>

See note 8 for more explanation on the statement of financial position review

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 30.06.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
258,930	39,750	193,339	29,750

**Amount repayable after one year**

As at 30.06.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
779,481	333,357	652,030	210,786

**Details of any collateral**

The Group's vessels are pledged to financial institutions as security for the term loans.

**1(b)(iii) Statement of comprehensive income for three months ended 30 June 2014**

	Group (Second Quarter)			Group (Year-To-Date)		
	3 months ended	Incr/		6 months ended	Incr/	
	30.06.2014	30.06.2013	(Decr)	30.06.2014	30.06.2013	(Decr)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit after tax	45,389	36,243	25.2	90,596	82,395	10.0
<b>Other comprehensive income</b>						
<b><u>Items that may be reclassified subsequently to profit or loss:</u></b>						
Translation differences relating to financial statements of foreign operations	(456)	307	N/M	(524)	80	N/M
Exchange differences on monetary items forming part of net investment in foreign operations	2,964	(1,352)	N/M	4,046	(1,532)	N/M
Effective portion of changes in fair value of cash flow hedges	(1,157)	-	N/M	(1,172)	-	N/M
<b>Other comprehensive income for the period</b>	<b>1,351</b>	<b>(1,045)</b>	<b>N/M</b>	<b>2,350</b>	<b>(1,452)</b>	<b>N/M</b>
<b>Total comprehensive income for the period</b>	<b>46,740</b>	<b>35,198</b>	<b>32.8</b>	<b>92,946</b>	<b>80,943</b>	<b>14.8</b>
<b>Attributable to:</b>						
Owners of the Company	46,830	35,198	33.0	93,074	80,943	15.0
Non-controlling interests	(90)	-	N/M	(128)	-	N/M
	<b>46,740</b>	<b>35,198</b>	<b>32.8</b>	<b>92,946</b>	<b>80,943</b>	<b>14.8</b>

Note :

There are no tax effects relating to each component of other comprehensive income for the period.

***N/M - not meaningful***

**1(c) Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Group</b>	
	<b>6 months ended</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>		
Profit after tax	90,596	82,395
Adjustments for:		
Income tax expense	1,229	1,375
Depreciation expense	47,203	16,725
Net gain on disposal of joint venture, assets held for sales and plant and equipment	-	(17,738)
Finance income	(3,172)	(2,349)
Finance costs	10,550	6,376
Financial guarantee income provided to joint ventures	(1,568)	(1,799)
Reversal of impairment loss on trade receivables	(14)	(1,037)
Equity-settled share-based payment transactions	1,035	819
Share of results of associates and jointly controlled entities	(14,173)	(16,762)
Operating cash flow before working capital changes	<u>131,686</u>	<u>68,005</u>
Changes in working capital:		
Trade receivables and other assets	(42,881)	(31,590)
Trade and other payables	(21,429)	20,137
Cash generated from operating activities	<u>67,376</u>	<u>56,552</u>
Income tax paid	(746)	(1,257)
<b>Net cash from operating activities</b>	<u>66,630</u>	<u>55,295</u>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(174,857)	(381,621)
Proceeds from disposal of plant and equipment	-	10,436
Proceeds from disposal of assets held for sale	-	2,350
Proceeds from disposal of joint venture	-	35,791
Acquisition of subsidiary, net of cash acquired	(42,938)	(3,475)
Advance payments for purchase of plant and equipment	(22,578)	(37,543)
Investments in joint ventures	16,083	(29,842)
Investments in associate	(4,420)	(1,212)
Investment in available-for-sale investment	(11,267)	-
Interest received	1,680	270
<b>Net cash used in investing activities</b>	<u>(238,297)</u>	<u>(404,846)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	154,171	241,370
Repayment of borrowings	(67,103)	(27,861)
Proceeds from issuance of notes, net of transaction costs	198,147	89,127
Net proceeds from issuance of ordinary shares	157,514	76,260
Repayment of notes	(78,339)	-
Release of deposits pledged	-	1,403
Dividend paid	(959)	(779)
Interest paid	(12,456)	(7,577)
<b>Net cash from financing activities</b>	<u>350,975</u>	<u>371,943</u>
<b>Net increase in cash and cash equivalents</b>	179,308	22,392
Cash and cash equivalents at 1 January	165,978	133,497
Effect of exchange rate fluctuations	7,242	(4,772)
<b>Cash and cash equivalents at end of the period</b>	<u>352,528</u>	<u>151,117</u>
<b>Breakdown of cash and cash equivalents at the end of period:-</b>		
Cash and cash equivalents	352,528	151,128
Deposits pledged	-	(11)
	<u>352,528</u>	<u>151,117</u>

See note 8 for explanation on the statement of cash flows review



**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During first quarter of 2014, the Company issued 18,392,046 new ordinary shares at an issue price of S\$2.2407 per share. The newly issued shares rank pari passu in all respects with the previously issued shares. The net proceeds from the placement shares which amounted to approximately US\$32.5 million (equivalent to S\$41,211,057) was used to acquire the aggregate of 1,100,000 shares in the issued share capital of Teras Conquest 4 Pte Ltd, which represented 100% of the issued and paid-up share capital of the Teras Conquest 4 Pte Ltd.

During second quarter of 2014, the Company issued 100,000,000 new ordinary shares at an issue price of S\$1.94 per share. The newly issued shares rank pari passu in all respects with the previously issued shares. The net proceeds from the placement shares which amounted to approximately US\$151.3 million is meant for acquisition of offshore and marine assets and for general working capital.

During second quarter of 2014, the Company issued 1,848,862 new ordinary shares at an issue price of S\$2.0445 per share. The newly issued shares rank pari passu in all respects with the previously issued shares. The net proceeds from the placement shares which amounted to approximately US\$3 million was used to acquire the aggregate of 42,000,000 shares in the issued share capital of JK Tech Holdings Limited, which represented 29.8% of the enlarged issued and paid-up share capital of JK Tech Holdings Limited, excluding treasury shares.

During second quarter of 2014, 10,042,200 shares were issued under the Company's Employee Share Option Scheme. The newly issued shares rank pari passu in all respects with the previously issued shares.

As at 30 June 2014, the share capital less treasury shares of the Company was 1,315,113,044 ordinary shares (1,315,683,044 issued ordinary shares less 570,000 treasury shares). As at 30 June 2013, the share capital less treasury shares of the Company was 962,907,603 ordinary shares (963,477,603 issued ordinary shares less 570,000 treasury shares).

As at 30 June 2014, there were 300 redeemable exchangeable preference shares ("REPS II") in a subsidiary available for exchange to 16,470,847 ordinary shares of the Company and as at 30 June 2013, there were 15,900,000 redeemable exchangeable preference shares ("REPS I") in a subsidiary available for exchange to 28,993,435 ordinary shares of the Company.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 30 June 2014, the issued and paid up share capital excluding treasury shares of the Company comprised 1,315,113,044 (31 December 2013: 1,184,829,936) ordinary shares.

As at 30 June 2014, subsidiary of the Company has 300 (31 December 2013: 300) redeemable exchangeable preference shares outstanding.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The movement of treasury shares are as follows:

As at 1 January 2014 = 570,000 shares

Purchase of treasury shares during the period = Nil

Transfer of treasury shares during the period = Nil

As at 30 June 2014 = 570,000 shares

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2013.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the new and revised FRSs and Interpretation of FRS (INT FRS) that are effective for financial periods beginning 1 January 2014. The adoption of these new and revised FRS and INT FRSs did not have material effect on the financial performance or position of the Group.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-**

	Group (Second Quarter) 3 months ended		Group (Year-To-Date) 6 months ended	
	30.06.2014	30.06.2013 Restated	30.06.2014	30.06.2013 Restated
(a) Based on weighted average number	3.58 cts	3.14 cts	7.35 cts	7.30 cts
(b) On a fully diluted basis	3.52 cts	3.01 cts	7.23 cts	7.00 cts

Note :

Weighted average ordinary shares for calculation of:

- Basic earnings per shares	1,267,616,000	1,154,270,000	1,233,971,000	1,128,893,000
- Diluted earnings per share	1,288,801,000	1,203,279,000	1,255,156,000	1,177,902,000

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) current financial period reported on; and  
(b) immediately preceding financial year.

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the period reported on	82.09 cts	67.55 cts	55.71 cts	45.38 cts

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **INCOME STATEMENT REVIEW**

The Group's revenue for the three months ended 30 June 2014 ("2Q14") increased by US\$25.4 million (37.8%) to US\$92.6 million as compared to the corresponding three months ended 30 June 2013 ("2Q13"). The increase in revenue was mainly due to the chartering contribution from the deployment of additional units of the Group's multi-purpose self-propelled jack-up rig ("Liftboat") and Jack-up Rig (collectively called "Service Rigs").

The cost of sales and servicing for 2Q14 increased by US\$9.1 million (25.3%) to US\$45.3 million as compared to 2Q13. The increase corresponded with the increase in business activities.

As a result of the above, the Group's gross profit for 2Q14 improved by US\$16.3 million (52.4%) to US\$47.4 million as compared to 2Q13.

The higher administrative expenses and other operating expenses in 2Q14 corresponded to the increased business activities as well as increase in the staff strength.

The increase in finance costs in 2Q14 was due mainly to additional interest expense for the funding of newly acquired and delivered Service Rigs.

The lower share of associates and jointly controlled entities' results in 2Q14 as compared to 2Q13 were mainly due to acquisition of the remaining issued share capital of a jointly controlled entity and becoming a fully owned subsidiary of the Group, which is consolidated.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$0.8 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

### **STATEMENT OF FINANCIAL POSITION REVIEW**

#### **Non-current Assets**

The Group's Non-current Assets amounted to US\$1,989.1 million as at 30 June 2014. The increase in Non-current Assets was mainly due to the acquisition and refurbishment for the Group's Service Rigs. The decrease in Joint Ventures was attributable to the acquisition of the remaining issued share capital of a jointly controlled entity and becoming a fully owned subsidiary of the Group and repayments of loans provided to the jointly controlled entities during the financial period ended 30 June 2014. Aside from the share of profits from associates, the increase in Associates and Other Assets was due to the subscription for shares in JK Tech Holdings Limited and AusGroup Limited, respectively.

#### **Current Assets**

The Group's Current Assets amounted to US\$631.4 million as at 30 June 2014. The increase was due to an increase in Trade Receivables from the deployment of additional units of the Group's Service Rigs, Cash and Bank balances as a result of the cash flow generated from operations, proceeds from issuance of notes and issuance of new ordinary shares to a strategic investor. Included in the Other Current Assets were the advance payments and deposits made for the construction of Service Rigs.

### **Total Liabilities**

The Group's total liabilities amounted to US\$1,541.0 million as at 30 June 2014. The increase in non-current financial liabilities was due mainly to the issuance of notes and additional drawdown of bank borrowings to finance the progress construction, acquisition, conversion and refurbishment of the Group's Service Rigs. Included in other payables were the advance payments and performance deposits received.

### **Total Equity**

The increase in total equity was attributable mainly to the profit derived in the period and issuance of new ordinary shares.

## **STATEMENT OF CASH FLOWS REVIEW**

### **Cash Flow from Operating Activities**

The Group's net cash inflow from operating activities was US\$66.6 million. This was mainly due to the net cash generated by the operations of the Group.

### **Cash Flow from Investing Activities**

The Group's net cash used in investing activities was US\$238.3 million. This was mainly due to the progress payments made and the deployment of funds towards the purchase and refurbishment of the Group's Service Rigs. The net cash used in investing activities was partially offset by proceeds from repayments of loans to joint ventures.

### **Cash Flow from Financing Activities**

The Group's net cash inflow from financing activities was US\$351.0 million. This was mainly due to the increase in bank borrowings to finance the Group's Service Rigs as well as the issuance of notes and issuance of new ordinary shares to a strategic investor.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

In line with the prospect statement made in 1Q14.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The management is witnessing increased focus on platform and well related work by the oil majors in Asia Pacific, Middle East and West Africa. As a result of these activities, the Group will continue to focus on investment in Service Rigs to meet the strong demand. The Group has entered into an agreement to restructure its Port and Marine Base business in Australia with AusGroup Limited on 22 July 2014 and the transaction is expected to be completed in 2H14. The Group also expects more units of its Service Rigs to be deployed in 2H14.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared/recommendeded, a statement to that effect**

Not applicable

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

There was no interested person transaction during the period under review.

**BY ORDER OF THE BOARD**

**Lim Ka Bee**  
**Company Secretary**

**31 July 2014**

**Confirmation by the Board  
Pursuant to SGX Listing Rule 705(5)**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the three months ended 30 June 2014 to be false or misleading in any material aspects.

**On behalf of the Board of Directors**

**Chew Thiam Keng  
Executive Director & CEO**

**Captain Larry Glenn Johnson  
Executive Director & COO**

**31 July 2014**